

ATTACHMENT 4

**COMPLAINT FILED BY THE NORTH CAROLINA PAYPHONE ASSOCIATION
AGAINST SOUTHERN BELL**

46154-03(5)
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FILED

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March 8, 1995

Ms. Geneva Thigpen
Chief Clerk
North Carolina Utilities Commission
Dobbs Building
Raleigh, North Carolina 27611

Re: The North Carolina Payphone Association and Pay Tel Communications, Inc.
v. Southern Bell Telephone and Telegraph Company

Dear Ms. Thigpen:

Enclosed for filing are an original and seventeen (17) copies of a complaint by The North Carolina Payphone Association and Pay Tel Communications, Inc. against Southern Bell Telephone and Telegraph Company.

Should any questions arise in connection with this matter, please contact the undersigned.

Very truly yours,

BROOKS, PIERCE, McLENDON,
HUMPHREY & LEONARD

William A. Davis II

William A. Davis, II

WAD/sj
Enclosures
cc: Al Povall, Esq.
paytelthigpen6.tr

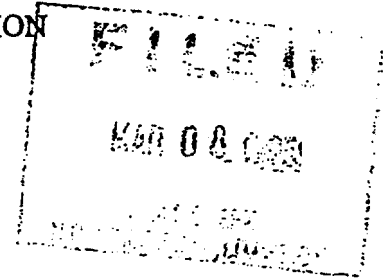
BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION

The North Carolina Payphone
Association and Pay Tel
Communications, Inc.

vs.

Southern Bell Telephone and
Telegraph Company

Docket No. _____



COMPLAINT

The North Carolina Payphone Association ("NCPA" or the "Association") and Pay Tel Communications, Inc. ("Pay Tel") pursuant to N.C.G.S. §62-73 and Commission Rule R1-9, hereby bring this Complaint against BellSouth Telecommunications, Inc., doing business as Southern Bell Telephone and Telegraph Company ("Southern Bell") and request the Commission to investigate, and upon investigation to require Southern Bell to cease and desist from, the anticompetitive practices with respect to pay telephone service in confinement facilities set forth herein. As further described below, Southern Bell is providing and offering to provide inmate pay telephone service in a manner that is unjust, unreasonable and anticompetitive in the following respects: (a) The service is noncompensatory, in that Southern Bell's revenues are insufficient, on information and belief, to cover its costs; consequently, Southern Bell's inmate payphone service is being cross-subsidized with revenues from other regulated services and the burden is falling to ratepayers for other services; and (b) Southern Bell's pricing practices create a "price squeeze," in that the revenues of independent payphone providers, which are limited by

regulation, are inadequate to cover the charges of Southern Bell for network and other necessary services and match the commissions paid by Southern Bell to location owners. Southern Bell is both a supplier of essential services to independent payphone providers and a competitor in the market for inmate payphone services and it is able -- particularly by offering sales commissions of the magnitude described herein -- to make it impossible for independent payphone providers to compete. In support of this complaint, Pay Tel and the Association allege and show the following:

1. NCPA is an association of pay telephone providers comprising more than 50 members and collectively accounting for some 8000 pay telephones in North Carolina.

NCPA is committed to working with the Public Staff and the Commission to enhance and improve pay telephone service in the state.

2. Pay Tel is a North Carolina corporation and is certificated by this Commission as a provider of pay telephone service pursuant to N.C.G.S §62-110(c) and Chapter R13 of the Commission's Rules.

3. Southern Bell is a certificated local exchange telephone company in North Carolina and is subject to the jurisdiction of this Commission. Of the total of approximately 3.7 million access lines in the state, Southern Bell accounts for more than 1.8 million. Local exchange and exchange access telephone service in North Carolina is currently provided by Southern Bell as a regulated monopoly.

4. As a part of its local exchange service, Southern Bell also provides access lines and network services to payphone providers, including the members of the Association and Pay Tel. Southern Bell's access lines and network services are essential to the provision

of pay telephone service by Pay Tel and members of the Association. Southern Bell offers these services to independent payphone providers under tariff on file with, and subject to review by, this Commission.

5. In addition to providing exchange services to independent payphone providers, Southern Bell is also an active competitor of Pay Tel and members of the Association in the pay telephone business. Competition in pay telephone service was authorized by the North Carolina General Assembly with the enactment of G.S. 62-110(c) in 1985 and competition has been implemented through a series of rules and orders of this Commission. Southern Bell itself has just recently applied for certification as a COCOT. See Application filed February 17, 1995.

6. Success in the pay telephone business hinges critically upon securing viable locations for the installation and operation of pay telephones. Typically, upon selecting a desirable location, a pay telephone provider will enter into an agreement (lease) with the owner of the location or other responsible party, known generally as the "location provider" or "customer." The location provider grants the payphone provider the right to install one or more pay telephones at the location and is paid, in return, a rental or sales commission in the form of a percentage of gross revenues generated by the pay telephones placed at that location. Confinement facilities, airports and other public premises offer high potential calling volumes and are, therefore, among the most desirable locations for payphone providers. Payphone providers compete intensely for the opportunity to place their payphones at these critical locations.

7. The General Assembly in enacting G.S. 62-110(c) in 1985 specifically authorized the provision of pay telephone service "in addition to or in competition with" public telephone service offered by the certificated local exchange telephone company. That section authorizes the Commission to promulgate rules to implement the service (which it has done in Chapter R13), "recognizing the competitive nature of the offerings." It further provides that the Commission "shall determine the extent to which such service shall be regulated and to the extent necessary to protect the public interest regulate the terms, conditions, and rates for such service...." The Commission is thus charged with the responsibility of ensuring that the provision of pay telephone service by the local exchange telephone companies is consistent with the public interest.¹

8. This Complaint arises out of Southern Bell's provision of pay telephone service in confinement facilities. The Commission has recognized that inmate payphone service is a specialized and discrete form of pay telephone service; as stated in the Order Allowing Line Concentration in Confinement Facilities, dated April 12, 1993, "[t]he Commission believes that confinement facilities are a special environment in which the public interest is directly affected." The Commission has, moreover, adopted rules separately applicable to inmate service. See Commission Rule R13-6 ("Special rules for service within confinement facilities.")

¹In addition to G.S. 62-110(c), the Commission also has jurisdiction over the subject matter of this Complaint pursuant to G.S. 62-32(a) [Commission has "general supervision over the rates charged and service rendered by all public utilities" in the State]; G.S. 62-131 [rates must be just and reasonable]; and G.S. 62-136(c) [Commission authorized to investigate and fix rates on finding that existing rates are "unjust, unreasonable, insufficient or discriminatory, or in violation of any provision of law...."].

CROSS-SUBSIDIZATION

9. Southern Bell is offering its payphone service in this competitive market at commission levels which, upon information and belief, render the service noncompensatory. Complainants do not have access to the actual costs of Southern Bell; however, as shown in the accompanying Affidavit of Vincent Townsend ("Townsend Affidavit"), at realistic cost levels the revenues for the service fail to cover costs.

10. For example, Southern Bell has recently entered into a contract with the Mecklenburg County Sheriff's Department providing for a commission rate of 46% of gross revenues. At this commission rate, for every \$1.00 of billed revenues Southern Bell at most would have only \$.54 to cover the costs of providing the service. The 46% figure, in fact, substantially understates the true or effective commission rate. As set forth in the Townsend Affidavit, uncollectible revenues are a significant factor for pay telephone service in the confinement setting. Unless strong measures are taken, uncollectibles can run as high as 30% or more. If uncollectibles are 30% of billed revenues, the 46% commission on gross revenues equates to an "effective" commission rate (i.e., commission rate divided by actual or collected revenues) of 66%.

11. As set forth in detail in the Townsend Affidavit, the revenues for pay telephone service (before uncollectibles) are determined by the allowable regulated charges for the types of calling in question. Other costs associated with the provision of pay telephone service include validation, billing and collection, gross receipts taxes, and network costs (line charges and measured service).

12. With respect to network charges, the PTAS line is provided by the local exchange companies under tariff and at rates approved by the Commission in Docket No. P-100, Sub 84. These rates consist of: (1) a flat charge of 60% of the business line rate; and (2) usage rates of \$.03 per minute for the initial minute and \$.02 for each additional minute during the day time period and \$.02/\$.01 during night and weekend periods. These charges, on information and belief, substantially exceed Southern Bell's actual costs for the network services in question. Thus, the rates paid by independent payphone providers actually subsidize or provide contribution to Southern Bell.

13. The three types of calling relevant for purposes of this complaint are local coin, local collect and intraLATA collect toll. (Southern Bell is precluded under the Modification of Final Judgment from carrying interLATA toll traffic, and it is therefore disregarded in this analysis.) The results of the analysis of profitability set forth in the Townsend Affidavit for these types of calls are as follows:

	<u>Average Revenue</u>	<u>Excess/ (Shortfall)</u>
Local coin	\$.25	\$(0.14)
Local collect	.95	(0.22)
Toll collect	3.10	(0.32)

Thus, for each type of call, revenues fail to cover costs, and Southern Bell is incurring a significant shortfall. The Townsend Affidavit also shows, based upon actual historical call volumes at this facility, that the resulting monthly shortfall is an estimated \$18,204.86. Consequently, the loss to Southern Bell over the 48-month term of this contract would be \$873,833.28.

14. As the Townsend Affidavit further demonstrates, even at an assumed commission rate of 25% (a more typical rate in the past), Southern Bell's inmate payphone service would still be below cost. On information and belief, Southern Bell's inmate payphone service is being offered at other locations on a noncompensatory basis, even at substantially lesser commissions than the 46% rate used in Mecklenburg County.

15. Accordingly, Southern Bell is and has been providing payphone service to confinement institutions on a noncompensatory basis. Its payphone services, offered in competition with those of Pay Tel and members of the Association, are being cross-subsidized with revenues from other services in which Southern Bell has monopoly power. Thus, other residence and business ratepayers are in effect underwriting the shortfall produced by Southern Bell's below-cost competitive offering of inmate payphone services. The service is also being subsidized through excessive network charges to independent payphone providers -- which are Southern Bell's competitors.

ANTICOMPETITIVE PRICE SQUEEZE

16. Further, the pricing practices of Southern Bell have created a "price squeeze" which has the effect of destroying competition in the provision of these pay telephone services. Specifically, as demonstrated in the Townsend Affidavit, given the prices charged by Southern Bell for its network and other essential services and for billing it is not possible for an independent payphone provider to match the commission payments of Southern Bell and make a profit.

17. The pricing practices of Southern Bell, on information and belief, are predatory and are designed to eliminate competition from independent payphone providers.

RELIEF REQUESTED

18. Southern Bell must be required to cease and desist from offering pay telephone service on a noncompensatory and anticompetitive basis. Complainants do not seek regulation of the commission rates paid by Southern Bell to location providers; however, the Commission is charged by G.S. 62-110(c) with responsibility for regulating competitive pay telephone service in the public interest, and it is the responsibility of Southern Bell to ensure that its rates as well as the terms and conditions of pay telephone service are just and reasonable. Among the alternatives available to the Commission in these circumstances are the following:

19. Southern Bell must be required to provide its payphone service so that it will be fully compensatory on a stand-alone basis, free of cross-subsidization from other services. To that end, the Commission should require:

- A. Separate accounting, under accounts and procedures approved by the Commission;
- B. The formation of a separate subsidiary for competitive payphone operations, to assure the integrity of the separate accounting and protect against cross-subsidization and other anticompetitive practices as between the regulated monopoly portion of respondents' business and the competitive offering of payphone services; and
- C. The imputation of Southern Bell's rates charged to independent payphone providers into the accounting for costs of respondent's own payphone service.

The Commission by Order dated May 17, 1994 in Docket No. P-100, Sub 126

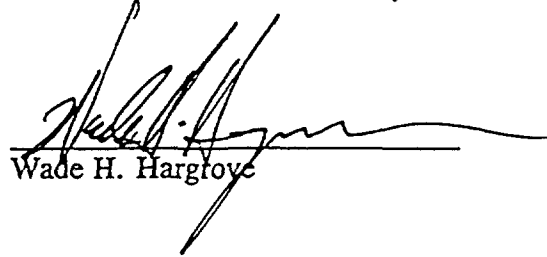
has adopted the imputation principle in connection with the introduction of competition into intraLATA long distance service. Imputation is equally valid in the context of pay telephone service and is equally vital to the promotion of fair and viable competition.

20. Additionally, or in the alternative, the network charges of Southern Bell to independent payphone providers must be reduced to eliminate the subsidy contained in those rates. It is inherently unfair and anticompetitive for Southern Bell to extract subsidies for a below-cost service from its competitors in that service.

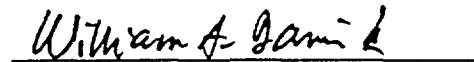
WHEREFORE, complainants pray that Southern Bell be required to cease and desist from the anticompetitive practices set forth above and that the Commission, following hearing upon this complaint, grant the relief set forth above and such other and further relief as may be appropriate.

Respectfully submitted,

BROOKS, PIERCE, McLENDON
HUMPHREY & LEONARD, L.L.P.



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STATE OF NORTH CAROLINA

COUNTY OF WAKE

AFFIDAVIT

Vincent Townsend, being first duly sworn, deposes and says:

1. I am President of Pay Tel Communications, Inc. My business address is 9A Oak Branch Drive, Post Office Box 8179, Greensboro, North Carolina 27419-8179.
2. I formed Pay Tel in 1986. Pay Tel holds a certificate from the North Carolina Utilities Commission to provide pay telephone service.
3. I started Pay Tel Communications in response to the opening of the pay telephone market competition by the North Carolina General Assembly in 1985. Pay Tel is one of the larger independent pay telephone operators in North Carolina. We operate over 1,300 telephones in various public and semi-public locations, including 40 county confinement facilities.
4. I am also President of the North Carolina Pay Phone Association, an organization which I helped to form in 1987. The NCPA strives to improve the quality of pay telephone service in North Carolina through programs such as a payphone provider code of ethics, an information program designed to educate payphone operators to their responsibilities, and a self-enforcement program.
5. Generally speaking, in order to provide pay telephone service, a number of elements need to be assembled and coordinated: the pay telephone instrument itself; the local access line (known as a "PTAS" line) and dial tone service from the local exchange

telephone company; a means of "validating" calls to assure they are billable; and arrangements for billing and collection. Finally, one needs a location suitable for installation of the pay telephone instrument and a lease agreement with the owner of the premises where it will be placed.

6. Pay telephone instruments have become more and more sophisticated with the development of microprocessor technology. Today, these instruments are available from a variety of manufacturers, and their capabilities are highly sophisticated. For example, in confinement facilities we use instruments designed to provide "collect-only" calling, as approved by this Commission in Docket No. P-100, Sub 84. Essentially all of the old "coin phone" functionality that formerly resided in the local exchange company network is now in the telephone instrument itself, and the PTAS line is essentially just a measured service business line providing dial tone.

7. The PTAS line is provided by the local exchange companies under tariff and at rates approved by the Commission in Docket No. P-100, Sub 84. These rates consist of: (1) a flat charge of 60% of the business line rate; and (2) usage rates of \$.03 per minute for the initial minute and \$.02 for each additional minute during the day time period and \$.02/\$.01 during night and weekend periods.

8. There are many numbers to which collect or third-number calls cannot be billed. These include other payphones, universities, hospitals, and numbers "behind" a PBX. Such customers subscribe to the local telephone companies' "billed number screening" service, in which the number to be billed is checked against a data base of non-billable numbers. Payphone providers subscribe to these data bases in order to "validate" calls, i.e.,

to assure that they are properly billable.

9. Billing and collection is, of course, a crucial function of the business. Basically, there are two sources of billing and collection services. "Clearinghouses" enter into arrangements with the local telephone companies and offer those services to payphone providers on an agency basis. Alternatively, it is possible for a payphone provider to enter directly into billing and collection arrangements with each local telephone company in areas the payphone provider serves. This arrangement is less convenient administratively for the payphone provider and it requires a degree of technical sophistication and significant investment (to be able to produce billing tapes); ultimately, however, it is the least costly alternative if the payphone provider's business is large enough to support the investment.

10. A crucial factor in billing and collection is uncollectibles, i.e., charges which through fraud or for other reasons cannot be collected from customers. Fraud in the confinement setting is a major problem, and uncollectibles, in my experience, can run as high as 30% or more of billed revenues. Only if the provider develops extensive call monitoring software programs and dedicates significant employee time and resources to daily customer contact in order to verify credit worthiness and identify potential fraud can the uncollectible rate be brought down to acceptable levels.

11. Finally, in many ways the most important factor in the pay telephone business is location. It has been my observation that the local telephone companies have over the past few years tended to remove their own pay telephones from marginal locations, i.e., those which produce a relatively low volume of calling. In many instances, private pay phone operators have stepped in to provide service in those locations, where otherwise no pay

telephone service would be available today.

12. Typically, the pay telephone provider enters into a contract or lease arrangement with the owner of the premises in question to make space available for the installation of a pay telephone instrument. In return, the owner receives a commission based on a percentage of revenues produced in that location. The premises owner is known in the industry as a "location provider." The ultimate customer body, in turn, is the transient calling public (including inmates in confinement facilities) who use the pay telephone instrument.

13. Location providers look to a number of factors, not least of which is reliable service, in selecting a payphone provider. The Commission rate is always a primary factor, however. The Commission rate offered by the payphone provider is probably the single most important factor in the competition for payphone locations.

SOUTHERN BELL ANALYSIS

14. Attached is Exhibit A to this Affidavit is a contract recently executed by Southern Bell for payphone service provided to the Mecklenburg County confinement facility. Undoubtedly, the most striking thing about this document is the commission rate of 46% of gross revenues. Commission rates are not subject to regulation, and there is no single prevailing rate; in my experience in the industry over the last nine years, however, rates of between 15% and 25% have been typical.

15. Attachment 1 to this Affidavit is an analysis of an arrangement such as that set forth in Southern Bell's Mecklenburg County contract. Attachment 1 consists of four schedules on which I have shown the revenues and expenses and an overall profitability

analysis based upon the relevant types of payphone calling in a confinement facility:

Schedule 1 shows revenues and costs for a local coin call. (Coin calling in the confinement setting is limited to certain areas, i.e., booking, and is 99% local calling.) Schedule 1 shows that for the typical local coin call, Southern Bell experiences a shortfall of (\$0.14).

Schedule 2 shows revenues and costs for a local collect call. Revenue consists of \$.25 plus the allowed local collect surcharge of \$.70. Cost elements are explained in the notes to my schedule. I will state generally that the costs used are based upon actual experience and are, if anything, conservative. This schedule shows that Southern Bell experiences a shortfall on a typical local collect call of (\$0.22).

Schedule 3 shows revenues and costs for a collect toll (intraLATA) call. Here again, the assumptions are conservative; for example, network costs are based on Bell's "WATS Saver" rate. Nevertheless, Schedule 3 shows a shortfall of (\$0.32) on a typical Southern Bell intraLATA toll call.

Thus, for each of the relevant types of payphone calling in the confinement-setting, Southern Bell's revenues fail to cover its costs.

Schedule 4 is a profitability analysis in which the per call shortfall is multiplied by the historical average mix of calling volumes for these three kinds of calls. It shows that Southern Bell can expect to lose an estimated \$18,059.58 per month under this arrangement.

16. This analysis, I should emphasize once again, is extremely conservative. For

example, with respect to the Mecklenburg County contract specifically, the agreement provides for payment of \$1,200.00 per month by Southern Bell for computer premises equipment. I have not included this cost, but it would amount to \$57,600.00 over the four-year life of the contract. Nor have I attempted to account for the cost of other equipment necessary to provide the services called for in the Mecklenburg County contract; these costs should be amortized over the life of the contract, however, and they would be significant. Also, for billing costs I have assumed a direct billing arrangement with Southern Bell. As indicated above, a direct billing agreement minimizes per-bill costs to the payphone provider, but very few independent providers have the technical and other resources to make a direct billing arrangement feasible. Most independent providers instead use "clearinghouse agents" to provide billing services, which adds substantially to the costs. Substituting these billing costs into my analysis, for example, would produce substantially larger shortfalls:

	Average <u>Shortfall</u>
Local coin	(.14)
Local collect	(.37)
Toll collect	(.46)

17. Additionally, throughout this analysis I have assumed a 15% uncollectible rate which I believe to be highly conservative. As I mentioned previously, without extensive fraud detection and prevention measures uncollectibles can, in my experience, run to 30% or more of billed revenues. I am not aware of any special procedures or systems Southern Bell uses to limit uncollectibles in the confinement setting. Consequently, the 15% figure I have used likely understates the uncollectible rate for Southern Bell by a substantial margin.

18. Even if a more typical commission rate of 25% is used, Southern Bell will still experience a shortfall. Substituting a 25% commission rate only changes that one factor on each schedule. For a local call, the commission payment becomes \$0.06 instead of \$0.12; for local collect, it is \$0.24 instead of \$0.44; and for the typical toll collect it is \$0.78 instead of \$1.43. The resulting average net revenue is therefore as follows:

Local coin	(\$0.08)
Local collect	(\$0.02)
Toll collect	.33

Although toll collect calling at a 25% commission produces positive net revenue on average, this form of calling accounts for only about 6.5% of all calls. As shown on Schedule 4, the service as a whole is still below cost. Thus, while the Mecklenburg example I have used above is a striking example of Southern Bell's willingness to take a loss to win business, even at typical commission rates Bell's service, when the appropriate uncollectibles are charged against inmate revenues, is below cost.

19. Shifting to the perspective of a competitor of Southern Bell, the problem should be apparent. The prices which independent payphone providers are allowed to charge are limited by regulation. We can charge only \$.25 for a local call, plus the \$.70 surcharge for a collect call, and our toll rates are limited (under Rule R13-9) to Southern Bell's toll rates. Our costs, in turn, are effectively set by Southern Bell in the form of network, charges, billing, validation, and the like. Moreover, when Southern Bell then offers commissions of the kind illustrated here, it effectively reduces the revenues of an independent payphone provider by an equivalent amount. And with that reduction in revenues, an independent provider simply cannot compete. Its revenues are "squeezed"

below its costs. Alternatively, the commission payment can be viewed as an increase in costs, but the result, of course, is exactly the same: a price/cost squeeze.

20. I expect Southern Bell will say that this is only competition, and that the Commission should not and cannot regulate the commission rates paid to location providers. I agree that the Commission should not attempt to regulate payphone commission rates as such. However, unless something is done to ensure that Bell's service is provided on a compensatory basis and that it is not allowed to engage in the kind of price squeeze I have described, Bell will be in a position to crush the competition whenever and wherever it chooses. Southern Bell apparently intends to go after the COCOT market with all of its resources. Clients are reporting that Bell representatives are urging them not to enter into any new long-term contracts with independent payphone providers, saying that Bell is going to beat any commission an independent provider can offer. I will gladly compete with Southern Bell on service quality, price, or on any fair basis. No independent provider can compete with Southern Bell, however, if it is permitted to cross-subsidize its payphone services with dollars from other regulated services in which it enjoys great market power.

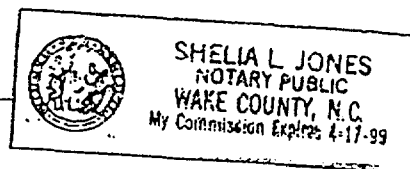
Further, affiant sayeth not.


Vincent Townsend

Sworn to and subscribed before me

this the 8th day of March, 1995.


NOTARY PUBLIC



ATTACHMENT 1

**Townsend
Schedule 1**

**Southern Bell Revenue/Cost Analysis
Local Coin Call**

Line No.

1	Local Coin Phone Per Call Price/Revenue ¹		\$ 0.25
2	Expenses:		
3	Measured service: ²		
4	1st minute	\$ 0.025	
5	2nd - 15th minute	<u>\$ 0.210</u>	
			\$ 0.24
6	Commission @ 46% of Gross Revenue		\$ 0.12
7	Line Charge ³		\$ 0.01
8	Gross receipts tax @ 3.22%		\$ 0.01
9	Sales Tax 3%		\$ 0.01
10	Total Expense		\$ 0.39
11	Profit (Shortfall)		<u>(\$0.14)</u>

Notes:

¹Regulated Local Coin Call Rate

²Blended Measured Service Rate (Peak \$.03 1st minute, \$.02 minute thereafter and off peak \$.02 1st minute, \$.01 minute thereafter). Assumed average call length of 15 minutes based on 20 minute call limit contained in Southern Bell tariff, average call duration typically runs 75-80% of call limit.

³Based on Southern Bell's current monthly service charge spread over average number of coin calls completed per phone line in Mecklenburg facilities, i.e. \$30.31 ÷ 2253 average calls per coin line.

Southern Bell Revenue/Cost Analysis
Local Collect Call

Line No.

1	Local Collect Call Price/Revenue ¹		\$ 0.95
2	Expenses:		
3	Measured service: ²		
4	1st minute	\$ 0.025	
5	2nd - 15th minute	\$ 0.210	
6	Answered and not accepted calls	<u>\$ 0.025</u>	\$ 0.26
7	Commission @ 46% of Gross Revenue		\$ 0.44
8	Billing and collection fees: ³		
9	Bill Rendering Fee	\$ 0.051	
10	MTS processing per Message	<u>\$ 0.061</u>	\$ 0.11
11	Line Charge ⁴		\$ 0.04
12	Gross receipts tax @ 3.22%		\$ 0.03
13	Uncollectibles @ 15% ⁵		\$ 0.14
14	Validation: ⁶		\$ 0.15
15	Total Expense		\$ 1.17
16	Profit (Shortfall)		<u><u>\$(0.22)</u></u>

Notes:

¹Current Local Collect Call Tariffed Rate in Southern Bell area.

²Blended Measured Service Rate (peak at \$.03 1st minute, \$.02 minute thereafter and offpeak at \$.02 1st minute, \$.01 minute thereafter). Average call length of 15 minutes based on 20 minute call limit in Southern Bell tariff.

³Based on direct billing agreement with Southern Bell. Charges are \$.36 per bill; (average of seven calls per bill used, based on actual experience) and \$0.061 per message.

⁴Based on Southern Bell's current monthly service charge spread out over the average number of calls billed per phone line in Mecklenburg facilities, i.e. \$30.31/month ÷ 855 calls per line.

⁵Conservative estimate of uncollectible experience for inmate phone service provider with basic fraud controls.

⁶Current LIDB validation costs.

**Southern Bell Revenue/Cost Analysis
Intralata Collect Call**

Line No.

1	IntraLata Call Rate/Revenues ¹		\$ 3.10
2	Expenses:		
3	Measured service: ²		
4	1st - 15th minute	\$ 1.215	
5	Answered and not accepted calls	<u>\$ 0.008</u>	\$ 1.22
6	Commission @ 46% of Gross Revenue		\$ 1.43
7	Billing and collection fees: ³		
8	Bill Rendering Fee	\$ 0.051	
9	MTS processing per Message	<u>\$ 0.061</u>	\$ 0.11
10	Line Charge ⁴		\$ 0.04
11	Uncollectibles @ 15% ⁵		\$ 0.47
12	Validation: ⁶		\$ 0.15
13	Total Expense		<u>\$ 3.42</u>
14	Profit		<u>\$(0.32)</u>

Notes:

¹Average 15 minute intralata call rate; day/evening/night average.

²Bell South WatsSaver Rate -- average rate \$.081/minute.

³Based on direct billing agreement with Southern Bell. Charges are \$.36 per bill (average of seven calls per bill used, based on actual experience) and \$0.061 per message.